

State lawmakers show signs of movement toward budget deal

By [Jerry Cornfield](#),
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OLYMPIA — Efforts to reach agreement on a state budget seemed to be creating momentum on Monday as Gov. Jay Inslee met with legislative leaders of both parties and House Democrats rolled out a new plan they called a “substantial compromise.”

Inslee huddled with House and Senate leaders of both parties Monday morning in the first of what are intended to be daily conversations about the budget.

Detailed negotiation did not occur in that first meeting. Participants were discussing what steps they’ll take to reach agreement.

“Hopefully, what the governor is doing here is kick-starting the process and giving them a bit of urgency,” said David Schumacher, director of the Office of Financial Management, which drafted the governor’s proposed budget.

House Minority Leader Dan Kristiansen, R-Snohomish, echoed that sentiment as he exited the meeting.

“We’re trying to start the momentum,” he said. “At some point we are going to have to break the ice and get things moving.”

The optimistic talk follows months of political posturing and little give and take. Weeks ago, the two parties each proposed budgets that are significantly different. As lawmakers completed the regular 105-day legislative session at the end of April and a special 30-day session last week, little had changed.

Then last Thursday Senate Republicans released their latest budget proposal. It would spend more money than previous proposals and moves them closer to the position of Democrats on several fronts, including pay raises for state workers.

On Monday, with a second special session under way, House Democrats put forth a [revised budget proposal](#) that spends less than one they passed in April.

The two chambers are now about \$500 million apart in spending for a two-year budget of roughly \$38 billion — with the House Democrats pushing for the higher amount.

The latest Democratic plan still would count on money from a capital gains tax, an idea which Senate Republicans have repeatedly rejected.

“We believe this is a substantial compromise,” said House Majority Leader Pat Sullivan, D-Covington. “This is a document that shows that we have a pathway to get home.”

Sen. Andy Hill, R-Redmond, the lead budget writer for the Senate majority, called the House proposal “a positive step” by dropping a desired hike in the business tax paid by those providing professional services. But the continued inclusion of a capital gains tax is a problem.

“The issue there is not capital gains versus some other tax. It is whether we need taxes. We don’t think we need taxes,” Hill said.

For his part, Inslee proposed new taxes in his budget proposal in December. But he’s backed off a bit after a May forecast predicted lawmakers would have \$400 million more revenue than they did when the budget proposals were written. Now Inslee says additional revenue is needed, but he’s avoided saying it has to be from a tax — if Republicans have other ideas for generating the money.

House Democrats now propose to spend nearly \$38.4 billion in the next budget, down from \$38.9 billion in their initial plan. The level of spending in the Senate Republicans’ latest offer is \$37.9 billion.

Spending for the 2013-15 biennium that ends June 30 is expected to be \$33.7 billion. A reserve surplus of \$915 million is predicted, and both parties would use some of that money in the next biennium.

Democrats also propose collecting \$570 million from a 5 percent tax on capital gains greater than \$25,000 for an individual and \$50,000 for a married couple. There would be exemptions for primary residence, retirement accounts and farms.

Senate Republicans would balance their budget by relying mostly on transfers between different funds. One of the biggest shifts is \$100 million from an account in the state’s capital budget that is used to make loans for public works.

If no budget is in place when the new fiscal year starts July 1, dozens of state agencies will curtail services and halt programs as part of a partial government shutdown. On Friday, the state Office of Financial Management sent notices to state employee unions, warning of temporary layoffs if a budget is not in place.

In addition to a potential paralysis of government, lawmakers are still in contempt of a state Supreme Court order to craft a plan for fully funding public elementary and secondary schools by 2018. The court could impose sanctions if legislators fail to do so in this special session.

Budget writers Hill and Rep. Ross Hunter, D-Medina, said the two chambers need to agree on how much to spend in the next two-year budget — what’s known in budget talks as “the size of the box.” Once that’s determined, other pieces fall into place

quickly, they said.

“We can get out of here in two weeks if we can come to a broad agreement on the box, the amount of resources, by, say, the end of the day Friday,” Hunter said.

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